

**SUMMARY OF A MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, November 20, 2008
12:00 p.m., Arizona Time**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 10th Floor Board Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 12:01 p.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith (Via Teleconference)
 Mr. Michael Townsend (Via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the October 2, 2008 OC Meeting

Motion: Mr. Steven Zeman moved the minutes of the October 2, 2008 OC meeting be adopted. Dr. Keith Meredith seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the ASRS Annual External Financial Audit

Mr. Corey Arvizu, Partner, Heinfeld Meech & Company addressed the Committee regarding the annual external financial audit conducted from June 2008 to October 2008. Mr. Arvizu said Heinfeld Meech is still processing the data collected but presented the Committee with a brief synopsis of the methodology used. The areas reviewed were member benefits, member contribution accounting, investments, member data integrity, and the actuarial process and assumptions. Mr. Arvizu also praised the Financial Services Division in being helpful in providing all information needed during the audit.

4. Presentation, Discussion and Appropriate Action Regarding Performance in the ASRS Member Services Division

Mr. Anthony Guarino introduced Mr. Raymond Thomas, Assistant Director, Member Services Division (MSD), who gave a presentation to the Committee regarding the performance of MSD for Fiscal Year 2008. Several of his team leads addressed the Committee on the various aspects of MSD performance, focusing on the strategic objectives, risk assessment, risk control strategies, trends, and "looking forward."

The discussion focused on the various subdivisions within MSD. Mr. Joseph Bonno, Member Services Administrator, provided information on the Member Service Advisor Center. Ms. Sarah Korish, Member Services Administrator, addressed performance in the Production area of MSD.

Ms. Julie Lockwood, Member Services Administrator, discussed the Outreach program. Mr. Mike Hostetler, Management Analyst, talked about Member Appeals including email and written correspondence. Ms. Lisa King, Member Advocate, discussed her position as Member Advocate and the benefits that position provided to members and retirees of the ASRS.

5. Presentation, Discussion and Appropriate Action Regarding Operations Committee Governance

Mr. Guarino addressed the Committee regarding a year-end review of the governance of the OC. He indicated the OC had met its governance objectives for 2008. Mr. Guarino stated Committee members were welcome to offer suggestions or recommendations or possible changes in governance for 2009 at any time.

6. Review of Recently Conducted Audits

- **Buckeye Union High School District**
- **Kyrene Elementary School District**
- **Tolleson Elementary School District**
- **Agency Audit Follow-Up**

Mr. Guarino introduced Mr. Bernard Glick, the ASRS Chief Auditor, who updated the Committee on recently conducted audits.

The first audit involved the Buckeye Union High School District (BUHSD). The audit contained five findings: 1) BUHSD did not remit all contributions for pay period ending 5/18/07, 2) BUHSD did not remit contributions from employees who met the 20/20 eligibility criteria or were eligible to participate because they were contributing at other ASRS employers, 3) BUHSD did not request a credit for a member who remitted a contribution twice, 4) BUHSD did not ensure that all retirees returning to work complied with the requirement that they acknowledge in writing the provisions of the state statute dealing with return to work employees, and 5) BUHSD did not comply with all statutes regarding ASRS health insurance supplements. Mr. Glick stated that BUHSD owed the ASRS \$103,483 in contributions.

The second audit dealt with Kyrene Elementary School District (KESD). The audit of the school district contained several findings including that KESD did not collect contributions for workers who were eligible to participate in the ASRS, the District received health and dental insurance premium benefits for a retiree who was not eligible to participate in the ASRS health and dental program, and that KESD did not report ASRS contributions for all eligible employees in the proper reporting period. Mr. Glick said SUSD owed the ASRS \$21,606 in contributions.

The next audit concerned the Tolleson Elementary School District (TESD). The results of the audit found that TSED did not collect contributions from eligible members, TSED did not request a refund for an ineligible member, and the District did not ensure that retirees returning to work acknowledged in writing provisions of state statute. The amount due the ASRS was \$33,324.

Mr. Glick then presented the Committee with a follow-up to previously conducted audits. Those audits included Benefit Estimates, Internal Controls over Financial Reporting, Real Estate Investments, Pension/Death Reporting, Agua Fria Unified High School District, Dysart Unified School District, City of Goodyear, Deer Valley Unified School District and Horse Mesa School. Mr. Glick indicated that all findings for those entities had been addressed or were in the process of being addressed with the exception of Deer Valley Unified School District. He said the ASRS

had contacted the superintendent for Deer Valley and was assured the District would complete a self audit by November 30, 2008

7. Presentation, Discussion and Appropriate Action Regarding the Audit Quarterly Update

Mr. Glick presented a spreadsheet containing the current state of internal audits through October 2008. The spreadsheet listed the current audits, the hours budgeted and estimates as to how many hours were used to perform the audits.

Mr. Glick also stated the Institute of Internal Auditors and the U.S. Government Accountability Office require professional internal auditors obtain periodic external quality assessment reviews. He said the ASRS Internal Audit Division would be reviewed and presented the various options on how this could be achieved. He indicated that after reviewing the options it was determined a member of the Association of Public Pension Plan Fund Auditors (APPFA) would serve as the independent reviewer. Mr. Glick said the approximate cost to the ASRS would be \$1,500 for travel costs for the APPFA member to travel to Phoenix to perform the audit and the ASRS would then be required to perform a quality assessment review for an APPFA member.

8. Presentation, Discussion and Appropriate Action Regarding the 2009 Calendar

Mr. Guarino offered a potential calendar of dates for OC meetings in 2009. Mr. Byers asked Committee members if there were any objections to the new calendar. Hearing none, the calendar was adopted by consensus.

9. Request for Future Agenda Items

Mr. Byers said he would like to have another discussion regarding the ASRS website and web services.

10. Call to the Public

No members of the public addressed the Committee.

11. Adjournment of the OC

Mr. David Byers adjourned the meeting at 1:47 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date